

To the Members of the California State Assembly:

I am returning Assembly Bill 529 without my signature.

This bill would require mortgage servicers to provide to consumers of residential loans a notice that a fixed rate loan is scheduled to switch to an adjustable rate loan, or a payment option loan is set to reset to a fully amortizing loan, between 90 and 120 days before the change occurs.

While it appears that the purpose of the bill is to ensure that borrowers are informed in advance of changes in their loan payments to avoid defaults, if implemented it could have the opposite effect. This bill would likely confuse mortgage holders by providing them with multiple notices containing conflicting future payment amounts. By providing mortgage holders with a notice that indicates an “example” payment amount, at or about the same time that they receive another notice that indicates an “actual” payment amount, the multiple notices could cause them to question the real payment amount. As a result, mortgage holders might base their decision to seek assistance with their existing loan or refinance that loan based on erroneous or confusing information.

For these reasons, I am returning this bill without my signature.

Sincerely,

Arnold Schwarzenegger